

EASTON TOWNSHIP

Ionia County, Michigan

Financial Statements

And

Independent Auditor's Report

For the Year ended March 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name EASTON TOWNSHIP	County IONIA
Fiscal Year End MARCH 31, 2006	Opinion Date SEPTEMBER 18, 2006	Date Audit Report Submitted to State SEPTEMBER 29, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

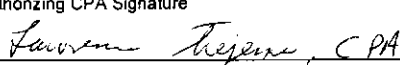
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Explanation of "No" answers for questions 7, 11, and 15 above.	
Certified Public Accountant (Firm Name) LAWRENCE TIEJEMA, PC		Telephone Number 616-642-0384	
Street Address 1187 HAWLEY HIGHWAY		City SARANAC	State MI
		Zip 48881	
Authorizing CPA Signature 		Printed Name LAWRENCE TIEJEMA	License Number 1101026843

EASTON TOWNSHIP

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INDEPENDENT AUDITOR'S REPORT

September 18, 2006

The Township Board
Easton Township
Ionia County, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Easton Township, Ionia County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express opinions on these financial statements based on my audit.

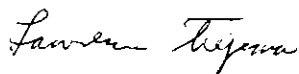
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, and the aggregate remaining fund information of Easton Township, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated September 18, 2006, on my consideration of Easton Township's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 3 to 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Easton Township's basic financial statements. The governmental, enterprise, and component unit's financial statements and schedules have been subjected to auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.



Lawrence Tiejema, PC

September 18, 2006

Management Discussion and Analysis

During the year ended March 31, 2006, Easton Township significantly improved a paved road and maintained its gravel roads while sharing in the cost of an important bridge replacement. In addition, the Township successfully defended its lot size ordinance with very manageable legal costs. During the year, Easton Township's fund balance grew significantly so that it will be better able to meet a foreseeable contingency.

Financial Highlights

- (1) Government fund revenues exceeded expenditures by \$81,409 in the year ended March 31, 2006, raising unrestricted net assets from \$997,143 to \$1,078,552.
- (2) The township board increased the budget for legal expenses from \$10,000 to \$25,000 to prepare for any additional legal costs of defending its minimum lot ordinance. Actual legal expenses for the year ended March 31, 2006, were \$18,126.
- (3) The township shared in the cost of upgrading Haynor Road in preparation for its role as the main detour during a reconstruction project on M-66. The township pledged \$41,094 of the cost to upgrade a section of Haynor Road to Class A status. In addition, the Township contributed \$10,400 for sidewalks.
- (4) Revenue sharing income fell from \$322,854 to \$306,765 for the year ended March 31, 2006. The City of Ionia paid Easton \$112,021 of the revenue sharing income as a result of a PA 425 between the township and the city.
- (5) A bridge on Lyle Road between Bellamy Road and M-66 was replaced through a federal grant. Of the total cost of \$680,000, the Township's share was 5% or \$34,000.
- (6) Interest income increased from \$21,068 to \$25,903 for the year ended March 31, 2006. Interest income represented 6.3% of the governmental funds revenue.
- (7) Easton Township approved 3-year contracts for ambulance and cemetery sexton agreements. The ambulance contract with EMS is \$4,099 per year. The sexton agreement averages \$14,008 per year over the three-year period.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both the government-wide statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, recreation and cultural, and cemetery. The business-type activity of the Township is the Sewer Fund. The government-wide financial statements may be found on pages 11-13.

Fund financial statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. (All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds).

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government wide-financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township adopts an annual appropriated budget. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Proprietary funds. The township maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprise funds to account for its sewer system operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 18-20 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Easton Township has one fiduciary fund, the Tax Agency Fund.

The basic fiduciary fund statements for the tax agency fund can be found on page 21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund statements. The notes to the financial statements can be found on pages 22-37 of this report.

Easton Township's Net Assets

	Governmental Activities	Business-type Activities	Total
Current and other assets	1,059,525	464,279	1,523,804
Capital assets	50,091	249,374	299,465
Total assets	1,109,616	713,653	1,823,269
Long-term liabilities outstanding		-	0
Other liabilities	31,064	855	31,919
Total liabilities	31,064	855	31,919
Net assets:			
Invested in capital assets, net of related debt	50,091	249,374	299,465
Restricted		463,424	463,424
Unrestricted	1,028,461		1,028,461
Total net assets	1,078,552	712,798	1,791,350

Governmental funds consist of the General Fund and Special Revenue Fund. The Special Revenue Fund was established by the township as an emergency fund to finance special needs of the township. The current assets of the government funds consist of deposit accounts totaling \$932,956, taxes receivable from the State of Michigan and the County of Ionia, and pre-paid expenses. The County of Ionia pays the Township for any 2005 real property taxes that are delinquent as of March 1. The delinquent taxes receivable as of March 31, 2006, was \$5,493. The government funds' liabilities consist of expenses incurred before April 1, 2006, but paid after the fiscal year ended. The largest payable was pension contributions payable of \$11,445.

The business-type activity is the Sewer Fund. Its current and other assets consist of deposit accounts and capital charges receivable. When residents hooked up to the sewer system, each resident could either pay the hook-up charge in full or pay it over a period of 25 years. Residents who opt for the installment payment make a quarterly payments of \$26.97. The remaining principal (capital charges) as of March 31, 2006, was \$143,551. The capital assets of the Sewer Fund are the sewer lines that were constructed in the township before August 2001 at a cost of \$397,654. Their book value at March 31, 2006, is \$249,374. The Sewer Fund's net assets are restricted to the repair of these lines over their lifetime.

Easton Township's Changes in Net Assets

	Governmental Activities	Business-type Activities	Total
Revenue:			
Program revenue:			
Charges for services	22,542	9,450	31,992
General revenue:			
Property taxes	60,055	-	60,055
State Sources	306,765	-	306,765
Investment earnings	25,903	9,198	35,101
Other	934	7,664	8,598
Total revenue	416,199	26,312	442,511
Expenses:			
General government	136,302		136,302
Legislative	8,179		8,179
Public safety	48,618		48,618
Public works	107,363		107,363
Recreation and culture	13,472		13,472
Cemetery	20,856		20,856
Sewer		9,153	9,153
Total expenses	334,790	9,153	343,943
Increase (decrease) in net assets	81,409	17,159	98,568
Net assets - beginning of year	997,143	695,639	1,692,782
Net assets - end of year	1,078,552	712,798	1,791,350

The revenues for government funds decreased \$18,209 while expenditures decreased \$55,135 from the prior year. The main revenue decrease came from state revenue sharing, which dropped \$16,089. The main expenditure decrease came from road maintenance and repair, which decreased \$54,899. Expenditures for general government, which include the township officers, board of review, elections, and property assessment, increased by \$12,849. The clerk and treasurer each received modest pay increases due to their increased mandated duties. The clerk is now required to conduct school elections, and the treasurer is now responsible for two tax collections. Legal costs increased \$11,434 as the township defended its minimum lot size ordinance.

The Sewer Fund's revenues came from capitalized interest of \$7,664, investment interest of \$9,168, and new hook up fees of \$9,450. The Fund's expenses came from administrative costs of \$1,200 and depreciation expense of \$7,953. Overall, Easton Township's net assets from government and business-like activities grew by \$98,568 during the year ended March 31, 2006.

Easton Township's Capital Assets

	Governmental activities	Business-type activities	Total
Land	7,325	-	7,325
Buildings and Improvements	38,891	-	38,891
Machinery and Equipment	3,875	-	3,875
Utility Systems	-	249,374	249,374
Total	50,091	249,374	299,465

Easton Township did not purchase any additional capital assets over \$1,000 for the year ended March 31, 2006. The governmental activities depreciation expenses were \$3,536, which lowered net assets from \$53,627 to \$50,091. During the same period, the Sewer Fund's capital assets dropped from \$257,327 to \$249,374 as a result of depreciation expense of \$7,953.

Easton Township – Future Challenges and Opportunities

The governmental and enterprise funds of Easton Township have the needed reserves to meet future needs. The governmental funds cash fund balance of \$932,597 is sufficient to pay for nearly three years of operating expenditures. The net assets of the Sewer Enterprise Fund of \$463,424 are designed to cover any necessary repair to sewer lines built in Easton Township before August 2001. These assets will continue to grow in the coming year and should be adequate for any foreseeable expenses to the system.

In the fiscal year just ended, the Township successfully defended its one-half acre lot size minimum which was being challenged in Circuit Court by Westview Partners LLC. Westview sought permission from the township to build a high density housing development. Westview Partners LLC has not appealed the circuit court decision to the Michigan Court of Appeals. If an appeal had gone forward, the cost to the township might have been an additional \$20,000. As it was, the township incurred \$18,146 in legal fees for the year ended March 31, 2006. Typically, legal costs are below \$5,000 annually.

The biggest challenge to Easton Township continues to be road development and maintenance. Easton Township's population and number of residents is growing more rapidly than the roads are developing. Many residents would like their roads improved and paved. However, the cost of paving just 4 miles could eat up the entire financial reserves of the General Fund. Though the County of Ionia is responsible for the maintenance of the township's roads, state funding for the Ionia County Road Commission (ICRC) was actually cut in 2005. This prevents the ICRC from providing more assistance to the township. The establishment of special assessment districts is being explored as a way for residents of a road and/or subdivision to pave their roads. There are stretches of road that the township improves and paves in the normal course of road maintenance. The Greenlawn Subdivision is on a paving program whereby engineering will be done in 2006, preparatory work will be done in 2007, and paving will be completed in 2008. Parameter Road is slated for paving from Marquette Road to Dick Road along with a portion of Dick Road at the intersection.

The growth of the Township might mean that a new township hall will have to be built in the future. The current hall has been upgraded with a new floor, restrooms, kitchen facilities, and air conditioning. However, the hall may not be adequate if the population continues to grow rapidly.

The Township is managing its resources carefully in case of contingencies such as road/bridge failures and the need to defend township ordinances in court. A relatively high fund balance is a part of the township's plan to remain solvent while assisting township residents with necessary infrastructure improvements.

EASTON TOWNSHIP
STATEMENT OF NET ASSETS
MARCH 31, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and deposits	\$ 932,596	\$ 311,635	\$ 1,244,231
Receivables			
Due from other funds	9,334	9,093	18,427
Due from other governments	113,009		113,009
Capital charges receivable		143,551	143,551
Prepaid expenses	4,586		4,586
Capital assets, net of accumulated depreciation	50,091	249,374	299,465
Total Assets	1,109,616	713,653	1,823,269
Liabilities			
Accounts payable	21,519	-	21,519
Due to other funds	9,545		9,545
Deferred revenue		855	855
Total Liabilities	31,064	855	31,919
Net Assets			
Invested in capital assets, net of related debt	50,091	249,374	299,465
Restricted for:			
Sewer maintenance		463,424	463,424
Unrestricted	1,028,461		1,028,461
Total net assets	\$ 1,078,552	\$ 712,798	\$ 1,791,350

The accompanying notes are an integral part of the financial statements.

EASTON TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

Functions/ Programs	Expenses	Program Revenues	
		Charges for Services	Net (Expense) Revenues
Primary government			
Governmental activities:			
General government	\$ 136,302	\$ 14,680	\$ (121,622)
Legislative	8,179		(8,179)
Public safety	48,618	3,549	(45,069)
Public works	107,363		(107,363)
Recreation and culture	13,472		(13,472)
Cemetery	20,856	4,313	(16,543)
Total government activities	<u>334,790</u>	<u>22,542</u>	<u>(312,248)</u>
Business-type activity:			
Sewer	<u>9,153</u>	<u>9,450</u>	<u>297</u>
Total primary government	<u>\$ 554,001</u>	<u>\$ 303,777</u>	<u>\$ (250,224)</u>

(Continued)

The accompanying notes are an integral part of the financial statements.

EASTON TOWNSHIP
STATEMENT OF ACTIVITIES (CONCLUDED)
FOR THE YEAR ENDED MARCH 31, 2006

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Changes in net assets			
Net (expense) revenue	\$ (312,248)	\$ 297	\$ (311,951)
General revenues:			
Property taxes	60,055		60,055
State revenue sharing	306,765		306,765
Investment earnings	25,903	9,198	35,101
Other revenue	934	7,664	
Total general revenues	393,657	16,862	410,519
Change in net assets	81,409	17,159	98,568
Net assets, beginning of year	997,143	695,639	1,692,782
Net assets, end of year	\$ 1,078,552	\$ 712,798	\$ 1,791,350

(Concluded)

The accompanying notes are an integral part of the financial statements.

**EASTON TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2006**

ASSETS	GENERAL FUND	SPECIAL REVENUE FUND	TOTAL
Cash and deposits	\$ 848,713	\$ 83,883	\$ 932,596
Receivables:			
Due from other governments	113,009		113,009
Due from other funds	9,334		9,334
Prepaid expenses	4,586		4,586
TOTAL ASSETS	975,642	83,883	1,059,525
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Accounts payable	21,519		21,519
Due to other funds	9,545		9,545
TOTAL LIABILITIES	31,064	-	31,064
FUND BALANCE			
Undesignated	944,578	83,883	1,028,461
TOTAL LIABILITIES AND FUND BALANCE	\$ 975,642	\$ 83,883	\$ 1,059,525

**RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF THE GOVERNMENTAL
ACTIVITIES ON THE STATEMENT OF NET ASSETS**

Fund balance -- total governmental funds.....	\$ 1,028,461
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add -- land.....	7,325
Add -- capital assets.....	76,831
Deduct -- accumulated depreciation.....	(34,065)
Net assets of governmental activities.....	= \$ 1,078,552
The accompanying notes are an integral part of the financial statements.	

**EASTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2006**

	GENERAL FUND	SPECIAL REVENUE FUND	TOTALS
REVENUES:			
Property taxes	\$ 60,055		\$ 60,055
Licenses & permits	300		300
State sources	309,880		309,880
Charges for services	15,578		15,578
Fines and forfeitures	3,549		3,549
Interest	24,151	1,752	25,903
Other	934		934
TOTAL REVENUES	414,447	1,752	416,199
EXPENDITURES:			
General government	135,343		135,343
Legislative	6,322		6,322
Public safety	48,618		48,618
Public works	107,363		107,363
Recreation and culture	13,472		13,472
Cemetery	20,136		20,136
TOTAL EXPENDITURES	331,254	0	331,254
REVENUES OVER EXPENDITURES	83,193	1,752	84,945
NET CHANGE IN FUND BALANCES	83,193	1,752	84,945
FUND BALANCE, BEGINNING OF YEAR	861,385	82,131	943,516
FUND BALANCE, END OF YEAR	<u>\$ 944,578</u>	<u>\$ 83,883</u>	<u>\$ 1,028,461</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND
BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES**

Net change in fund balances -- total government funds.....	\$ 84,945
Government funds expense capital outlays in the current year while the Statement of Net Assets allocates them over useful life:	
Add capital outlay.....	0
Deduct - depreciation expense.....	(3,536)
Change in net assets of government activities.....	<u>\$ 81,409</u>

The accompanying notes are an integral part of the financial statements.

**EASTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED MARCH 31, 2006

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Property taxes	\$ 59,477	\$ 59,477	\$ 60,055	\$ 578
Licenses and permits	50	50	300	\$ 250
State sources	303,578	303,578	309,880	\$ 6,302
Charges for services	10,500	10,500	15,578	\$ 5,078
Fines and forfeitures	2,000	2,000	3,549	\$ 1,549
Interest	13,225	13,225	24,151	\$ 10,926
Other	0	0	934	\$ 934
TOTAL REVENUES	388,830	388,830	414,447	25,617
EXPENDITURES				
General government	139,100	154,100	135,343	18,757
Legislative	7,950	7,950	6,322	1,628
Public safety	62,550	62,550	48,618	13,932
Public works	325,500	325,500	107,363	218,137
Recreation and culture	21,600	21,600	13,472	8,128
Cemetery	23,000	23,000	20,136	2,864
TOTAL EXPENDITURES	579,700	594,700	331,254	263,446
REVENUES OVER (UNDER) EXPENDITURES	(190,870)	(205,870)	83,193	289,063
NET CHANGE IN FUND BALANCES	(190,870)	(205,870)	83,193	289,063
FUND BALANCE, BEGINNING OF YEAR	861,385	861,385	861,385	-
FUND BALANCE, END OF YEAR	\$ 670,515	\$ 655,515	\$ 944,578	-

The accompanying notes are an integral part of the financial statements.

**EASTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND**

FOR THE YEAR ENDED MARCH 31, 2006

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Interest	\$ 1,000	\$ 1,000	\$ 1,752	\$ 752
TOTAL REVENUES	1,000	1,000	1,752	752
EXPENDITURES:				
Transfer to General Fund	10,000	-	-	-
TOTAL EXPENDITURES	10,000	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	(9,000)	1,000	1,752	752
NET CHANGE IN FUND BALANCES	(9,000)	1,000	1,752	752
FUND BALANCE, BEGINNING OF YEA	82,131	82,131	82,131	-
FUND BALANCE, END OF YEAR	\$ 73,131	\$ 83,131	\$ 83,883	-

The accompanying notes are an integral part of the financial statements.

EASTON TOWNSHIP
STATEMENT OF NET ASSETS
SEWER ENTERPRISE FUND

March 31, 2006

Assets

Current Assets

Cash and deposits	\$ 311,635
Due from other funds	<u>9,093</u>
Total current assets	320,728

Noncurrent Assets

Capital charges receivable	143,551
Property, plant, and equipment, net of accumulated depreciation	<u>249,374</u>
Total noncurrent assets	392,925

Total Assets	<u>713,653</u>
---------------------	-----------------------

Liabilities

Deferred revenue	855
------------------	-----

Net assets

Invested in capital assets, net or related debt	249,374
Restricted for sewer maintenance	463,424
Unrestricted	<u>-</u>
Total net assets	<u><u>\$ 712,798</u></u>

The accompanying notes are an integral part of the financial statements.

EASTON TOWNSHIP
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
SEWER ENTERPRISE FUND
FOR THE YEAR ENDED MARCH 31, 2006

Operating revenues

Hook-up fees	<u>9,450</u>
Total operating revenues	9,450

Operating expenses

Administration	1,200
Depreciation	<u>7,953</u>
Total operating expenses	<u>9,153</u>

Operating income	<u>297</u>
-------------------------	------------

Nonoperating revenue (expenses)

Interest from capital charges	7,664
Interest from investments	<u>9,198</u>

Total non-operating revenues (expenses)	<u>16,862</u>
--	---------------

Change in net assets	17,159
----------------------	--------

Net assets, beginning of year	<u>695,639</u>
-------------------------------	----------------

Net assets, end of year	<u><u>\$ 712,798</u></u>
--------------------------------	--------------------------

The accompanying notes are an integral part of the financial statements.

EASTON TOWNSHIP
STATEMENT OF CASH FLOWS
SEWER FUNDS
FOR THE YEAR ENDED MARCH 31, 2006

Cash from operating activities

Cash paid for administration	\$ (1,200)
------------------------------	------------

Net cash provided by operating activities	<u>(1,200)</u>
--	----------------

Cash flows from capital and related financing activities

Interest received on capital charges	3,524
--------------------------------------	-------

Principal payments on capital charges	<u>5,286</u>
---------------------------------------	--------------

Net cash (used in) capital and relating financing activities	<u>8,810</u>
---	--------------

Cash flows from investing activities

Interest received on deposits and investments	<u>9,198</u>
---	--------------

Net increase (decrease) in cash and cash equivalents	16,808
--	--------

Cash and cash equivalents at the beginning of the year	<u>294,827</u>
--	----------------

Cash and cash equivalents at the end of the year	<u><u>\$ 311,635</u></u>
---	--------------------------

Reconciliation of net income to net cash provided by operating activities

Net income	\$ 17,159
------------	-----------

Adjustments to reconcile net income to cash provided	
--	--

Depreciation expense	7,953
----------------------	-------

Changes in assets and liabilities which provided (used) cash	
--	--

Accounts receivable	(9,159)
---------------------	---------

Deferred revenue	<u>855</u>
------------------	------------

Net cash provided by operating activities	<u><u>\$ 16,808</u></u>
--	-------------------------

The accompanying notes are an integral part of the financial statements.

EASTON TOWNSHIP
FIDUCIARY FUND
TAX AGENCY FUND

STATEMENT OF NET ASSETS

MARCH 31, 2006

Assets

Cash in bank	\$ 11,507
Due from other funds	1,063
Due from other governments	<u>6,103</u>
Total Assets	18,673

Liabilities

Due to other funds	9,945
Due to other governments	<u>8,728</u>
Total Liabilities	\$ 18,673

STATEMENT OF RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED MARCH 31, 2006

Receipts

Tax Collections	\$ 1,393,403
Interest income	<u>1,665</u>
Total cash receipts	<u>1,395,068</u>

Disbursements

-	1,385,468
Interest transferred to other funds	823
Fees	<u>7</u>
Total cash disbursements	<u>1,386,298</u>

Total receipts over (under) disbursements	8,770
--	--------------

Cash balance at the beginning of the year	<u>2,737</u>
---	--------------

Cash balance at the end of the year	<u>\$ 11,507</u>
--	-------------------------

The accompanying notes are an integral part of the financial statements.

EASTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Easton Township was organized on March 29, 1843, under the applicable laws of the State of Michigan. The Township is governed by a Board of Trustees which consists of Supervisor, Clerk, Treasurer, and two Trustees, and provides the following services: public safety (police, fire, ambulance), road maintenance, sewer, parks and recreation, cemetery, public improvements, and general administrative services.

The financial statements of the Township have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below:

The Reporting Entity

As required by generally accepted accounting principles, these financial statements present a financial report of all funds of Easton Township.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

EASTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segments. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for government funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the proprietary funds. Agency funds follow the accrual basis of accounting, and they do not follow a measurement focus because they do not report the results of operations (assets equal liabilities). Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures in the current period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Township. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

EASTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer enterprise funds are charges for services. Operating expenses for the enterprise fund include wages, supplies, utilities, charges for services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity or net assets, revenues, and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Township reports the following major government funds:

General Fund – This fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

EASTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

Special Revenue Fund – These funds are used to account for revenue from specific revenue sources and related expenditures which are restricted for specific purposes by administrative action or law.

The Township reports the following major proprietary fund:

Sewer – This fund is used to account for the operations of the Township's sewer department that provides sewer services to township residents on a user charge basis.

Additionally, the Township reports the following fund type:

Tax Agency Fund – This fund is used to account for property tax collections from Easton Township real and personal property owners and its disbursement to applicable government entities and agencies.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

EASTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

Budgets and Budgetary Accounting

Annual budgets are adopted for the general fund on a basis consistent with generally accepted accounting principles (GAAP). The Township follows these procedures in establishing the budgetary data that is reflected in the financial statements:

1. The budgets are generated with input from the clerk, treasurer, supervisor, and Township trustees.
2. Public hearings are conducted to obtain taxpayer comments and recommendations. The operating budgets include proposed expenditures and the means of financing them.
3. The budget is legally enacted through the passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
5. Budget appropriations lapse at fiscal year-end.
6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621. Expenditures may not exceed appropriations at the functional level for all funds (the legal level of budgetary control). The appropriations resolutions are based on the projected expenditure budgets by function. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any department must be approved by the Township Board.
7. Budgeted amounts are as originally adopted, or as amended by the Township Board. Supplemental budget appropriations were made during the year.
8. Encumbrance accounting is not utilized.

EASTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

Investments

Investments are stated at fair value.

Restricted Assets

Certain proceeds of the Sewer Fund, as well as certain resources set aside for their maintenance, are classified as restricted assets on the statement of net assets because their use is limited by applicable agreements with the City of Ionia.

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental and business activities column in the government-wide financial statements. Capital assets are also presented in the proprietary fund statements. The Township does not currently own infrastructure (roads, tunnels, bridges, etc.) except for roads constructed in the Easton Township Cemetery. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

EASTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

Land and historical artifacts are not subject to depreciation. Depreciation on the other capital assets of the primary government is computed using the straight-line method over the following useful lives:

	<u>Depreciable Life-Years</u>
Sanitary sewer systems.....	50
Furniture and equipment.....	5 – 15
Building and structures.....	10 – 40
Building improvements.....	15
Machinery and equipment.....	7 - 20

Property Taxes

Property taxes for the Township are attached as an enforceable lien on property as of December 1 of each year. The December 1 levy is recorded as a revenue during the current fiscal year, and is intended to fund expenditures of the current year.

Taxes are levied December 1 and are due without penalty on or before February 14. These winter tax bills include the Township's own property taxes and taxes billed on behalf of the school districts and other governmental entities; summer taxes are collected for school districts and the County of Ionia.

Real property taxes not collected are returned to the County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

Deferred Revenue

Government funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period and for resources that have been received, but not yet earned. For the year ended March 31, 2006, Easton Township had deferred revenue in the Sewer Fund.

EASTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

Fund Equity

In the fund statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Proprietary funds report restricted net assets equal to restricted assets less related liabilities. The governmental funds of Easton Township have no reservation or designations of their \$1,028,461 fund equity.

Interfund Transactions

During the course of normal operations, the Township has transactions between funds, including transfers of resources to provide services and construct assets. The accompanying financial statements generally reflect such transactions as transfers. Operations subsidies are also recorded as transfers.

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2006, the Township was covered by a liability and property insurance policy in the Michigan Township Participating Plan through Burnham & Flowers Insurance group. The insurance limitations are: Property, \$229,000; Liability, \$5,000,000; Wrongful acts, \$5,000,000; Automobile, \$5,000,000.

EASTON TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2006

2. CASH AND DEPOSITS, INVESTMENTS, AND RESTRICTED ASSETS

The cash deposits and investments for the Township are as follows:

	Governmental Activities	Business-type Activities	Agency Fund	Total
Deposits:				
Cash and deposits	490,023	195,168	11,507	696,698
Investments	442,573	116,467		559,040
	932,596	311,635	11,507	1,255,738

The carrying amount of the Township's governmental funds and business-type fund deposits at March 31, 2006, was \$1,244,231. All of these deposits are insured by the Federal Deposit Insurance Corporation. These deposits are in three (3) financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the Township and a specific fund or common account. They are recorded in the Township records at fair value.

Statutory Authority

State statutes authorize the Township to invest in:

1. Bond securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

EASTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services that matures not more than 270 days after the date of purchase.
4. Bankers acceptances of United States banks.
5. Obligations of the State of Michigan or its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
6. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
7. External investment pools as authorized by Public Act 20 as amended through December 21, 1997.

Township investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Township's name. Investments held by the Township are reported at fair value.

EASTON TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2006

All deposit accounts of Easton Township are in Category 1, registered and insured to the FDIC limit of \$100,000 for each bank, and are listed as follows:

Depository	Account	Amount @ March 31, 2006
General Fund:		
Ionia County National Bank	Checking Account	279,109
Fifth Third Bank	Business 53 Maxsaver	127,013
Portland Federal Credit Union	Savings Account	19
Portland Federal Credit Union	Certificate of Deposit	35,947
Portland Federal Credit Union	Certificate of Deposit	107,135
Portland Federal Credit Union	Certificate of Deposit	80,469
Portland Federal Credit Union	Certificate of Deposit	128,000
Fifth Third Bank	Certificate of Deposit	91,021
TOTAL GENERAL FUND		848,713
Special Revenue Fund:		
Fifth Third Bank	Business 53 Maxsaver	83,883
TOTAL SPECIAL REVENUE FUND		83,883
Sewer Fund:		
Ionia County National Bank	Checking Account	195,168
Portland Federal Credit Union	Certificate of Deposit	15,192
Portland Federal Credit Union	Certificate of Deposit	101,275
TOTAL SEWER FUND		311,635
TOTAL – ALL GOVERNMENTAL & BUSINESS-TYPE FUNDS		1,244,231

EASTON TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2006

3. CAPITAL ASSETS

A summary of changes in Capital Assets follows:

	<u>Balance</u> <u>April 1, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>March 31, 2006</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	7,325			7,325
Historical artifacts	1,000			1,000
Capital assets, being depreciated				
Buildings	16,598			16,598
Building and grounds improvements	45,668			45,668
Machinery and equipment	13,565			13,565
	<u>75,831</u>			<u>75,831</u>
Less accumulated depreciation for:				
Buildings	12,760	373		13,133
Building and grounds improvement	8,936	1,306		10,242
Machinery and equipment	8,833	1,857		10,690
Total capital assets being depreciated, net	30,529	3,536		34,065
Governmental activities capital assets, net	53,627			50,091
Business-type activities:				
Capital assets being depreciated:				
Sewer system	397,654			397,654
Less accumulated depreciation:				
Sewer system	140,327	7,953		148,280
Business-type activities capital assets, net	<u>257,327</u>			<u>249,374</u>

EASTON TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2006

Depreciation expense was charged to functions/programs of the primary government as follows:

March 31, 2006

Governmental activities:	
General government.....	\$ 1,857
Cemetery.....	720
Townhall and grounds.....	<u>959</u>
Total depreciation expense – government activities.....	<u>\$ 3,536</u>
Business-type activities:	
Sewer.....	<u>\$ 7,953</u>

4. CONTRIBUTORY PENSION PLAN

Easton Township contributes to a group pension plan through John Hancock Life Insurance Company. The eligible participants are elected officials and appointed individuals. The Township contributes 15% of the participant's compensation, and a participant may also make voluntary contributions. During the year ended March 31, 2006, the Township made a cash contribution of \$9,837 for the prior year, and accrued a pension obligation of \$10,835 for the current year.

5. EASTON SEWER SYSTEM

The original sewage disposal system was jointly owned by the Townships of Easton and Ionia and the City of Ionia. Bonds to construct the system were sold in 1976, 1990, 2001, 2004, and 2005. Until June 30, 1991, the City of Ionia, Easton Township, and Ionia Township made debt payments related to the cost of the sewer facilities and lines laid within their borders.

EASTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

As of June 30, 1991, the allocation of debt payments was changed to reflect annual flow from each of the three entities with the heaviest users paying a larger portion of the debt payments.

Easton Township entered into an agreement with the City of Ionia that took effect on August 1, 2001. According to this agreement, the City of Ionia took over the operation of the portion of the sewer system within Easton Township. The City began billing Township customers directly based on the current rate structure. The City is now responsible for all operational costs of the system. In this agreement, Easton Township retained all rights and title to the sewer facilities installed in the township before August 1, 2001. The allocated value of these sewer lines is \$397,654 less accumulated depreciation of \$148,280, for a net book value of \$249,374 as of March 31, 2006.

On October 22, 2002, Easton Township chose to pay off its portion of the existing sewer debt based on its percentage of ownership at a cost of \$203,270. This payoff did include the balance on the capital charges owed by residents who had hooked up to the sewer system. When residents hooked up to the system, they had the option of paying the hook-up charges in advance or paying for them with quarterly payments. These payments represent principal and interest payments on the hook-up charge. The balance on these hook-up or capital charges is shown as a receivable to the township sewer fund and has a balance of \$143,551 as of March 31, 2006.

6. LITIGATION

In the normal course of its activities, the Township has become a party in various legal actions, including property tax assessment appeals. Management of the Township is of the opinion that the outcome of such actions will not have a material effect on the financial position of the Township and, therefore, has not reflected loss reserves in the financial statements.

EASTON TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2006

7. DUE FROM (TO) OTHER FUNDS

Amounts due from (to) others funds representing interfund receivable and payable balances at March 31, 2006, are detailed as follows:

Due From	Due to			TOTAL
	General Fund	Sewer Fund	Tax Agency Fund	
General Fund	-	8,482	1,063	9,545
Tax Agency Fund	9,334	611	-	9,945
TOTALS	9,334	9,093	1,063	19,490

During the year ended March 31, 2006, \$9,445 was deposited in the general fund checking account that belonged to other funds. This amount included the following: (1) Capital charge Sewer Fund payment from the City of Ionia, \$7,190; (2) 2005 Sewer Fund assessment, \$804; (3) 2004 Sewer Fund delinquent assessment, \$488; (4) Trailer tax owing to other governmental entities, \$1,063.

EASTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

8. PRIOR PERIOD ADJUSTMENTS

The Township's net assets for the year ended March 31, 2005, have been adjusted for pre-paid expenses and tax receipts payable not previously recognized for the year ended March 31, 2005. The chart below details these changes:

Net Assets, original @ March 31, 2005.....	\$ 1,010,167
Addition:	
Prepaid expenses.....	3,139
Decrease:	
Taxes payable to Ionia County Intermediate School.....	<u>16,163</u>
Net Assets, adjusted @ March 31, 2005.....	<u>\$ 997,143</u>

For the year ended March 31, 2005, Easton Township had not paid the Ionia Intermediate School District its full share from the township's tax collections for the year 2003. The unpaid amount of \$16,163 is being adjusted from the prior year's fund balance.

GENERAL FUND

The General Fund is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in another fund. Revenues in this fund are derived primarily from general property taxes, fees for services, interest, state shared revenues, grants and intergovernmental revenues. General operating expenditures of the Township are accounted for in this fund, including Township Administration, Public Safety, Public Works, Recreation and Culture, Cemetery and Other.

The legal level of budgetary control of the General Fund is at the activity level, as reflected on the following Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual.

EASTON TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL**

GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2006

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
PROPERTY TAXES				
Current property taxes	\$ 46,668	\$ 46,668	\$ 48,621	\$ 1,953
Delinquent property taxes	12,809	12,809	11,434	(1,375)
TOTAL PROPERTY TAXES	<u>59,477</u>	<u>59,477</u>	<u>60,055</u>	<u>578</u>
LICENSES AND PERMITS				
Land division act fees	1,000	1,000	1,205	205
Cable franchise fees	6,000	6,000	6,302	302
Licenses and permits	50	50	300	250
TOTAL LICENSES AND PERMITS	<u>7,050</u>	<u>7,050</u>	<u>7,807</u>	<u>757</u>
STATE SOURCES				
State revenue sharing	300,000	300,000	306,765	6,765
Telecom revenue share	3,578	3,578	3,115	(463)
	<u>303,578</u>	<u>303,578</u>	<u>309,880</u>	<u>6,302</u>
CHARGES FOR SERVICES				
Cemetery lot sales	-	-	4,313	4,313
Rents and royalties	2,000	2,000	2,198	198
Special elections	1,500	1,500	1,560	60
TOTAL CHARGES FOR SERVICES	<u>3,500</u>	<u>3,500</u>	<u>8,071</u>	<u>4,571</u>
FINES AND FORFEITURES				
Ordinance violation fines	2,000	2,000	3,549	1,549
INVESTMENT EARNINGS				
Interest on deposits	13,225	13,225	24,151	10,926
OTHER REVENUE				
Refunds and rebates	-	-	134	134
Other revenue	-	-	800	800
TOTAL OTHER REVENUE	<u>-</u>	<u>-</u>	<u>934</u>	<u>934</u>
TOTAL REVENUES	<u>388,830</u>	<u>388,830</u>	<u>414,447</u>	<u>25,617</u>

EASTON TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL**

GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2006

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
EXPENDITURES				
LEGISLATIVE				
Township board	\$ 7,950	\$ 7,950	\$ 6,322	\$ 1,628
GENERAL GOVERNMENT				
Supervisor	18,000	18,000	19,555	(1,555)
Elections	5,100	5,100	1,753	3,347
Assessor	21,500	21,500	18,725	2,775
Clerk	22,750	22,750	21,144	1,606
Board of review	2,100	2,100	1,973	127
Treasurer	28,150	28,150	28,284	(134)
Townhall	12,800	12,800	11,244	1,556
Insurance	2,600	2,600	1,200	1,400
Pension plan	10,000	10,000	10,835	(835)
Employment taxes	1,000	1,000	984	16
Accounting and legal	15,100	30,100	19,646	10,454
Total general government	139,100	154,100	135,343	18,757
PUBLIC SAFETY				
Township deputy	30,050	30,050	26,976	3,074
Fire department	12,500	12,500	5,246	7,254
Ambulance	20,000	20,000	16,396	3,604
Total public safety	62,550	62,550	48,618	13,932
PUBLIC WORKS				
Road work	68,000	68,000	50,341	17,659
Road/bridge improvement	250,000	250,000	49,652	200,348
Street lighting	7,500	7,500	7,370	130
Total public works	325,500	325,500	107,363	218,137

EASTON TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL**

GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2006

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
RECREATION AND CULTURE				
Economic development	\$ 1,350	\$ 1,350	\$ 2,698	\$ (1,348)
County Parks	5,000	5,000	-	5,000
Spring clean-up	5,000	5,000	3,197	1,803
Dial-a-ride	10,050	10,050	7,500	2,550
Miscellaneous	200	200	77	123
Total recreation and culture	21,600	21,600	13,472	8,128
CEMETERY				
Cemetery	23,000	23,000	20,136	2,864
TOTAL EXPENDITURES	579,700	594,700	331,254	263,446
REVENUE OVER (UNDER) EXPENDITURES	(190,870)	(205,870)	83,193	289,063
NET CHANGE IN FUND BALANCE	(190,870)	(205,870)	83,193	-
FUND BALANCE, BEGINNING OF YEAR	861,385	861,385	861,385	-
FUND BALANCE, END OF YEAR	\$ 670,515	\$ 655,515	\$ 944,578	-

Lawrence Tiejema, PC

Certified Public Accountant

1187 Hawley Highway

Saranac, MI 48881

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Email: tiej@iserv.net

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

September 18, 2006

The Township Board
Easton Township
Ionia County, Michigan

I have audited the financial statements of the governmental activities, the business-type activity, and the aggregate remaining fund information of the Township of Easton, State of Michigan, as of and for the year ended March 31, 2006, which collectively comprise Easton Township's basic financial statements and have issued a report thereon dated September 18, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

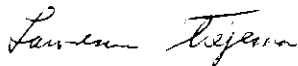
In planning and performing my audit, I considered the Easton Township's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Easton Township's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the township board officers, bond and credit holders, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Lawrence Tiejema, PC.

September 18, 2006

Lawrence Tiejema, PC

Certified Public Accountant

1187 Hawley Highway

Saranac, MI 48881

Phone: 616-642-0384

Fax: 616-642-0610

Email: tiej@iserv.net

September 29, 2006

Easton Township Board
% Betty Rowley, Clerk
3886 Dildine Road
Ionia, MI 48846

To the Board of Easton Township:

You may refer to my report on internal control over financial reporting and compliance with laws and established accounting procedures. The report states that I noted no matters involving internal control of financial reporting that would be considered material weaknesses. The following comments are not made to express an opinion on internal control but to point out some controls and procedures that are serving Easton Township well.

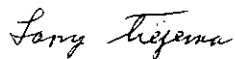
- (1) The Treasurer keeps the bank records on Quickbooks so that revenue accounts entries can easily be traced to bank statements. The Treasurer also prepares periodic cash and investment reports so that the Board can review its assets.
- (2) The Clerk's record of expense transactions is very complete and allows her to locate the support documents for all transactions in an efficient manner. Also, the Clerk keeps on file the authorized pay levels of all employees and uses this information to record payroll records on an electronic spreadsheet for the preparation of federal forms 941.
- (3) The supervisor and other members of the board are active in monitoring the budget to actual expenditures.

In addition, I noted the following three issues regarding financial record-keeping that can be addressed to improve internal control and financial reporting:

- (1) While the Treasurer carefully retains all bank and investment records, it was not apparent that the Treasurer was reconciling all checking accounts on a regular basis. The balancing of checkbooks is a valuable internal control procedure. It insures that no unauthorized transactions go unnoticed for an extended period of time. While banks are very efficient in managing the records of their depositors, mistakes can occur that could improperly increase or reduce the Township's accounts.
- (2) The revenue totals of the individual revenue accounts of the Clerk and Treasurer do not always agree. To insure that all revenue deposits appear in the proper account, the Treasurer should give a copy of all receipts and bank statements to the Clerk on a regular basis.
- (3) The Township has very little oversight over its Sewer Fund. (refer to Note 5 of Notes to the Financial Statements in the Audit Report for background) Someone on the township board should monitor all the capital charge payments that come from the City of Ionia. In addition, records should be kept at the township level so that the capital charge receivable is known for all sanitary sewer users. The City of Ionia does not keep these records current for a number of sewer system users.

If you have any questions regarding these comments and suggestions, please contact me.

Sincerely,



Larry Tiejema, CPA

Lawrence Tiejema, PC

Certified Public Accountant

1187 Hawley Highway

Saranac, MI 48881

Phone: 616-642-0384

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September 29, 2006

Local Audit and Finance Division
Michigan Department of Treasury
P.O. Box 30728
Lansing, MI 48909-8228

To the local audit division of the Michigan Department of Treasury:

Re: Easton Township

The following is a brief explanation of the "No" responses to the questions of Form 496.

Question 7 – Delinquency in distributing tax revenue collects to another unit

Easton Township did not pay the Ionia Intermediate School District its full share from the 2003 property tax assessment. The balance owing on April 1, 2005, was \$16,163. The amount due to the intermediate school district was paid during the fiscal year ended March 31, 2006. At present, there is no deficiency. You may refer to Note 8 of the current audit report.

Question 11 – Free of repeated comments from prior years.

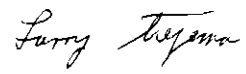
Last year's comment letter is included. The repeated comment is #4 from the letter to the township board dated November 23, 2005. The comment made in the prior audit was that Easton Township should determine the capital charges receivable for all sewer system users. This year's comment suggests that the township determine the amount receivable for each sewer user and have a member of the board responsible for reviewing these records on a regular basis. (Refer to Note 5 in the Notes to the Financial Statements of this year's audit)

Question 15 – Bank Reconciliations

The Treasurer is very new to her office. While she is very competent in many ways, she appears not to have mastered bank reconciliations and has expressed desire to get more education on her duties as a treasurer.

If you have any questions regarding these comments, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Larry Tiejema".

Larry Tiejema, CPA

Lawrence Tiejema, PC

Certified Public Accountant

1187 Hawley Highway

Saranac, MI 48881

Phone: 616-642-0384

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Email: tiej@iserv.net

November 23, 2005

Township Board
Easton Township
720 North Bellamy Road
Ionia, MI 48881

To the members of the township board:

I would like to thank the township board members who assisted me in completing the audit of Easton Township for the year ended March 31, 2005. Clerk Betty Rowley, Treasurer Tracy Dinehart, and Supervisor Joseph McCord were especially helpful. With their help, I was able to access all the needed records and supporting documentation to successfully complete the audit and issue an appropriate opinion.

During the course of the audit, I noted certain practices and procedures that call for additional comments. None of these were material weaknesses in internal control or deliberate violations of law. The following items can be discussed during our exit conference to be scheduled in the near future:

- (1) Arlene Hecht, the former treasurer, appears to be listed as an independent contractor for purposes of the summer tax collection. Since the summer tax collection process is essentially similar to the winter tax collection, Ms. Hecht should be an employee for all tax collection procedures. As such, her summer tax compensation should be reported on a W-2 instead of a 1099-MISC.
- (2) While examining source documents for Easton Township funds, I noted that several payments did not contain supporting documentation. These payments concerned payments to other governments and to independent contractors. The copy of the checks written to independent contractors should contain a bill or statement from the vendor requesting payment, or a reference to an agreement that calls for periodic payments. Checks written to governmental entities should contain a copy of documentation that requires such payments.

- (3) It would be a good practice for the Township to note in its minutes when a bank and investment account is opened or closed. Some townships give complete authority to the treasurer to pick the appropriate bank and investment accounts. Other townships require approval any time the township opens a new account, transfers funds between accounts, and closes an account. Noting changes to bank and investment accounts in the minutes provides township board members with the information they need to act as stewards of the township's resources.
- (4) When auditing the sewer fund of Easton Township, I noted a need to bring records up to date. When the sewer system was created, the affected residents had a choice of whether to pay a hook-up charge at the time of the hook-up or finance it over a 25-year time period. Since most residents chose to finance this obligation, these residents make quarterly payments of principal and interest on their outstanding balances. The principal balance of this account is called "Capital Charges" in the financial statements. In 2001 the sewer records regarding capital charges were turned over to the City of Ionia for collection. The City collects the capital charges and periodically sends these collections to Easton Township. For the residents who do not live in Sherwood Forest, complete and thorough records exist on the hook-up balance of each resident. However, records regarding Sherwood Forest units do not appear to be as thorough and current. I would suggest that the Township contact the City of Ionia and owner of the Sherwood Forest facility to determine the fair and equitable balances of each property.

I would again like to thank you for your co-operation with the audit for the year ended March 31, 2005. If you have any questions, please contact me.

Sincerely,



Larry Tiejema, CPA